

Frontenac Youth Services
Financial Statements
For the year ended March 31, 2017

	<u>Contents</u>
Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	4
Statement of Changes in Fund Balances	5
Statement of Operations	6
Statement of Cash Flows	7
Notes to Financial Statements	8

Independent Auditor's Report

To the Directors of Frontenac Youth Services

We have audited the accompanying financial statements of Frontenac Youth Services, which comprise the statement of financial position as at March 31, 2017, and the statements of changes in fund balances, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations and fundraising the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess (deficiency) of revenue over expenses and cash flows for the years ended March 31, 2017 and 2016, current assets as at March 31, 2017 and 2016, and net assets as at April 1 and March 31 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended March 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Frontenac Youth Services as at March 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Oshawa, Ontario
August 16, 2017

Frontenac Youth Services Statement of Financial Position

March 31	Unrestricted	Equipment Replacement Reserve Fund	Invested in Capital Assets	2017	2016
Assets					
Current					
Short-term investments	\$ -	\$ 687	\$ -	\$ 687	\$ 684
Accounts receivable	85,297	-	-	85,297	57,180
Interfund receivable	-	42,260	-	42,260	42,260
	85,297	42,947	-	128,244	100,124
Capital assets (Note 2)	-	-	368,841	368,841	387,369
	\$ 85,297	\$ 42,947	\$ 368,841	\$ 497,085	\$ 487,493
Liabilities and Fund Balances					
Current					
Bank indebtedness (Note 3)	\$ 425,265	\$ -	\$ -	\$ 425,265	\$ 398,521
Accounts payable and accrued liabilities	230,600	-	-	230,600	223,994
Interfund payable	42,260	-	-	42,260	42,260
Due to Ministry of Community and Social Services	-	-	-	-	59,404
Deferred contributions	50,741	-	-	50,741	-
Current portion of long-term debt	-	-	10,113	10,113	12,419
	748,866	-	10,113	758,979	736,598
Long-term debt (Note 4)	-	-	47,058	47,058	58,016
Fund balances	(663,569)	42,947	311,670	(308,952)	(307,121)
	\$ 85,297	\$ 42,947	\$ 368,841	\$ 497,085	\$ 487,493

On behalf of the Board:



Director



Director

The accompanying notes are an integral part of these financial statements.

Frontenac Youth Services
Statement of Changes in Fund Balances

For the year ended March 31	2017		2016	
	Unrestricted	Equipment Replacement Reserve Fund	Invested in Capital Assets	Total
Balance, beginning of year	\$ (666,999)	\$ 42,944	\$ 316,934	\$ (307,121)
Excess (deficiency) of revenue over expenses	16,523	3	(18,357)	(1,831)
Interfund transfers	(13,093)	-	13,093	-
Balance, end of year	\$ (663,569)	\$ 42,947	\$ 311,670	\$ (308,952)

The accompanying notes are an integral part of these financial statements.

Frontenac Youth Services Statement of Operations

For the year ended March 31

2017 2016

	Unrestricted	Equipment Replacement Reserve Fund	Invested in Capital Assets	Total	Total
Revenue					
Provincial grants	\$ 4,081,422	\$ -	\$ -	\$ 4,081,422	\$ 4,074,751
Children's Aid Society	84,786	-	-	84,786	83,932
Durham Board (outside resources)	171,058	-	-	171,058	163,162
Donations and fundraising revenue	44,381	-	-	44,381	58,051
Fernie funds (one-time funding)	65,195	-	-	65,195	-
Administration recovery	15,551	-	-	15,551	14,832
Interest income	-	3	-	3	224
Sundry	12,064	-	171	12,235	1,905
Forgiveness of debt	59,404	-	-	59,404	-
	4,533,861	3	171	4,534,035	4,396,857
Expenses					
Amortization	-	-	18,528	18,528	20,333
Benefits	521,876	-	-	521,876	504,219
Building occupancy	250,253	-	-	250,253	283,609
Client expenses	22,995	-	-	22,995	11,924
Expenses covered by one-time funding (Fernie fund)	65,195	-	-	65,195	-
Food services	43,194	-	-	43,194	47,773
Interest on long-term debt	5,123	-	-	5,123	6,742
Medical and related	42,440	-	-	42,440	29,225
Miscellaneous	21,155	-	-	21,155	19,298
Fundraising expenses	13,079	-	-	13,079	27,616
Office administration	139,527	-	-	139,527	125,909
Outside agency support	30,266	-	-	30,266	11,130
Outside resources	171,495	-	-	171,495	163,162
Professional services	27,415	-	-	27,415	21,853
Program expenses	36,898	-	-	36,898	70,295
Salaries	3,077,980	-	-	3,077,980	3,008,273
Training and recruitment	5,094	-	-	5,094	19,446
Gain on disposal of capital assets	-	-	-	-	(3,922)
Travel	43,353	-	-	43,353	53,771
	4,517,338	-	18,528	4,535,866	4,420,656
Excess (deficiency) of revenue over expenses	\$ 16,523	\$ 3	\$ (18,357)	\$ (1,831)	\$ (23,799)

The accompanying notes are an integral part of these financial statements.

Frontenac Youth Services Statement of Cash Flows

For the year ended March 31	2017	2016
Operating activities		
Deficiency of revenue over expenses	\$ (1,831)	\$ (23,799)
Items not affecting cash		
Amortization	18,528	20,333
Gain on disposal of capital assets	-	(3,922)
	<u>16,697</u>	<u>(7,388)</u>
Changes in non-cash working capital balances		
Accounts receivable	(28,117)	7,043
Accounts payable and accrued liabilities	6,606	(147,425)
Due to the Ministry of Community and Social Services	(59,404)	-
Deferred contributions	50,741	-
	<u>(13,477)</u>	<u>(147,770)</u>
Investing activities		
Proceeds on disposal of capital assets	-	11,124
Purchase of capital assets	-	(15,000)
Decrease (increase) in short-term investments	(3)	36,803
	<u>(3)</u>	<u>32,927</u>
Financing activities		
Repayment of long-term debt	(13,264)	(22,027)
Increase in bank indebtedness	26,744	136,870
	<u>13,480</u>	<u>114,843</u>
Net change in cash and cash, end of year	<u>\$ -</u>	<u>\$ -</u>

Frontenac Youth Services Notes to Financial Statements

March 31, 2017

1. Significant Accounting Policies

Nature and Purpose of Organization

Frontenac Youth Services is a not-for-profit Canadian charity which operates a Licensed Children's Mental Health Centre that has been continuously providing services to adolescents and their families, throughout the Durham and Northumberland/Clarington area since 1972.

The organization is a registered charity, and as such, is exempt from income tax and may issue income tax receipts to donors.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Fund Accounting

The organization follows the Restricted Fund method of accounting for contributions.

The Unrestricted Fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources and restricted donations related to general operations.

The Restricted Fund reports only donations and their related expenses as designated by donors or the Board of Directors.

In accordance with an agreement with the Ministry of Community Services, the organization is required to set aside funds for the replacement of equipment. The replacement of certain equipment such as ranges, refrigerators, plumbing, heating and mechanical laundry equipment will be financed out of this Reserve Fund.

Revenue Recognition

Restricted contributions related to general operations are recognized as revenue of the Unrestricted Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the Restricted Funds.

Unrestricted contributions are recognized as revenue of the Unrestricted Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Frontenac Youth Services Notes to Financial Statements

March 31, 2017

1. Significant Accounting Policies (Continued)

Contributed Services

Volunteers contribute a significant amount of time each year to assist the organization in carrying out its service delivery activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Capital Assets

Capital assets are recorded at cost. Amortization based on the estimated useful life of the assets is as follows:

Building	- 30-year straight-line basis with a residual value of 25% of cost including any major renovations
Capital improvements	- 5-year straight-line basis with half-year rule
Automotive equipment	- 30% diminishing balance basis
Leasehold improvements	- 5-year straight-line basis with half-year rule

Capital purchases with a cost in excess of \$4,000 have been capitalized.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of these financial statements include, but are not limited to accruals and the estimated useful life of capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial Instruments

The organization's financial assets consisting of short-term investment and accounts receivable are recorded at fair value when acquired or issued. In subsequent periods they are reported at cost or amortized cost less impairment, if applicable.

Frontenac Youth Services Notes to Financial Statements

March 31, 2017

2. Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 110,000	\$ -	\$ 110,000	\$ -
Building	466,896	224,053	466,896	212,381
Capital improvements	22,277	22,277	22,277	22,277
Automotive equipment	64,508	48,510	64,508	41,654
Leasehold improvements	55,000	55,000	55,000	55,000
	<u>\$ 718,681</u>	<u>\$ 349,840</u>	<u>\$ 718,681</u>	<u>\$ 331,312</u>
Cost less accumulated amortization		<u>\$ 368,841</u>		<u>\$ 387,369</u>

3. Bank Indebtedness

The organization has a revolving credit facility available to a maximum of \$375,000. The revolving credit facility is due on demand, bears interest at the bank's prime rate plus 1.0% and is secured by the Watersdown property. As at March 31, 2017, the organization had an aggregate overdraft balance of \$425,265 (2016 - \$398,521). The bank agreed to allow the overdraft balance to be temporarily increased in March 2017.

Frontenac Youth Services Notes to Financial Statements

March 31, 2017

4. Long-term Debt

Deferred Capital Contribution:

The deferred capital contribution was comprised of a Federal government grant in the amount of \$8,528 to assist with the purchase of land and building. The Federal grant reduced the required annual mortgage payment and is amortized over the term of the mortgage. The annual contribution recognized is \$171 per year over the 50 year term.

	<u>2017</u>	<u>2016</u>
Deferred capital contribution	\$ 1,832	\$ 2,003
Less current portion	<u>171</u>	<u>171</u>
	<u>1,661</u>	<u>1,832</u>

Mortgage and Loans Payable:

Repayable to CMHC \$602 monthly including interest at 9.875%, secured by Frontenac residence (net book value of \$73,307 at March 31, 2017) due January 2028

47,757	50,740
--------	--------

Vehicle loan payable, secured by specific vehicle (net book value of \$3,555 at March 31, 2017), repayable \$460 monthly including interest at 6.99% due November 2017

3,588	8,667
-------	-------

Vehicle loan payable, secured by specific vehicle (net book value of \$3,517 at March 31, 2017), repayable \$456 monthly including interest at 6.99% due November 2017

3,994	9,025
-------	-------

Less current portion

55,339	68,432
--------	--------

<u>9,942</u>	<u>12,248</u>
--------------	---------------

<u>45,397</u>	<u>56,184</u>
---------------	---------------

<u>\$ 47,058</u>	<u>\$ 58,016</u>
------------------	------------------

Frontenac Youth Services Notes to Financial Statements

March 31, 2017

4. Long-term Debt (Continued)

Principal repayments required on long-term debt for the next five years and thereafter are due as follows:

	<u>Deferred Capital Contribution</u>	<u>Mortgage and Loans</u>	<u>Total</u>
2018	\$ 171	\$ 9,942	\$ 10,113
2019	171	2,604	2,775
2020	171	2,873	3,044
2021	171	3,170	3,341
2022	171	36,750	36,921
Thereafter	977	-	977
	<u>\$ 1,832</u>	<u>\$ 55,339</u>	<u>\$ 57,171</u>

Subsequent to the year end, the organization paid off the mortgage balance.

5. Commitments

The organization has entered into two premise lease agreements expiring in June 2017 and August 2017. The minimum annual lease payments for the next year is \$31,661.

6. Economic Dependence

The organization has contribution arrangements with the Ministry of Community and Social Services to provide funds to administer operations and provide services. These contributions constitute 93% (2016 - 93%) of the organization's total revenue and, as such, its ability to continue viable operations is dependent upon maintaining these funding arrangements.

Frontenac Youth Services Notes to Financial Statements

March 31, 2017

7. Financial Instrument Risk

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to this risk through its bank indebtedness. The organization holds revolving line of credit with a variable interest rate which involves risks of default on interest and principal and price changes due to, without limitation, such factors as interest rates and general economic conditions.

Liquidity Risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities and long-term debt.